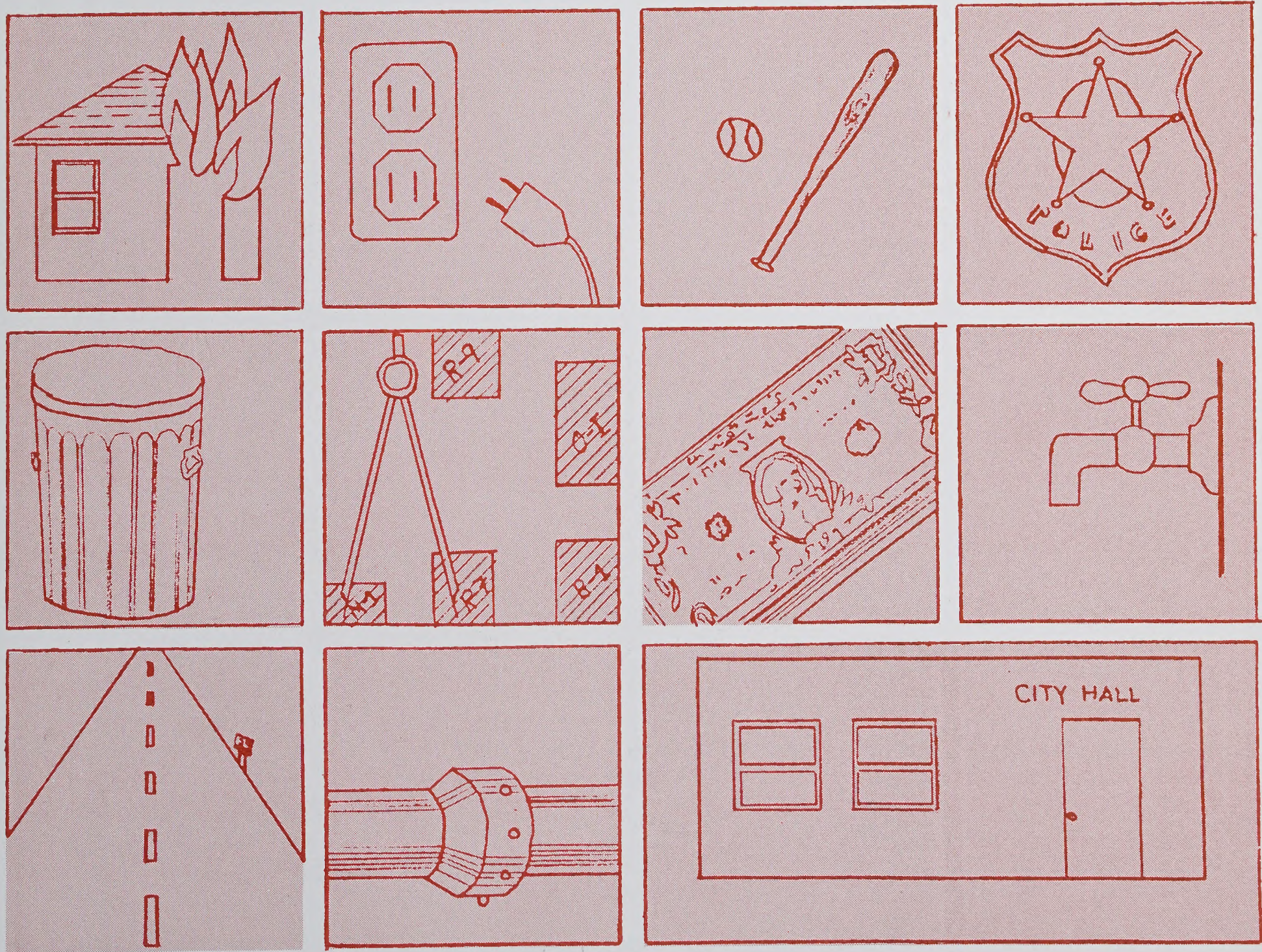


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# NEWTON, NORTH CAROLINA

## PUBLIC IMPROVEMENTS PROGRAM AND CAPITAL IMPROVEMENTS BUDGET

JUL 14 1976





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NEWTON, NORTH CAROLINA

Public Improvements Program

and

Capital Improvements Budget

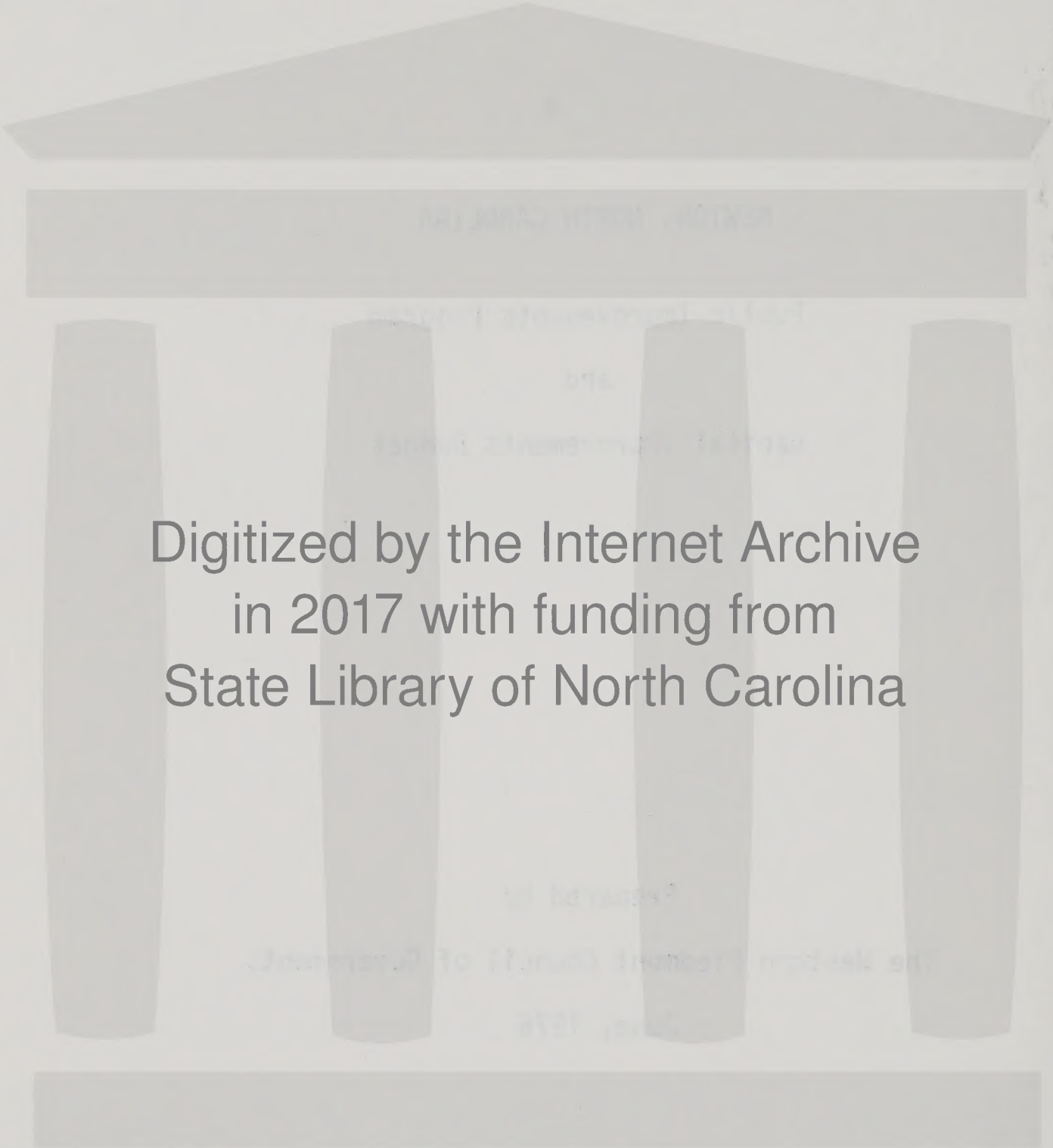
Prepared by

The Western Piedmont Council of Governments

June, 1976

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## INTRODUCTION

The Public Improvements Program and Capital Budget presented in this report are intended to provide a vehicle through which the City of Newton can relate public expenditures to a long range plan for necessary and desirable public improvements and make the most effective, economical use of the fiscal resources available.

The Public Improvements Program is an extended forecast of priority capital items required for implementation of the City's comprehensive development plan over a subsequent 15 year period. In contrast to the annual budget, which is concerned with day-to-day operating functions, maintenance of persons, materials and supplies, the capital budget is based on a six-year time period and involves those projects and major items of expense which are encountered less frequently and tend to have a long range effect on the ability of the City to respond to public need. The first year of the capital budget should be included in the City's annual budget and the entire document revised annually. In this manner a continuous process is established so that the necessary advance planning of projects and major expenditures by each operating department is coordinated with the financial resources of Newton. With each annual revision another fiscal year is added, thus retaining a continuous six-year capital budgeting period. Each project is re-evaluated and its priority examined annually to insure responsiveness to the changing needs of the City.



## USE OF THE PUBLIC IMPROVEMENT AND CAPITAL BUDGET REPORT

This report has no legal status; therefore, its effectiveness will be determined by its usage by City officials. Some of the benefits that can be derived from using a capital budgeting process are:

1. It helps to avoid the crises which result from the failure to expand, repair, or add needed municipal services;
2. It allows for a more even scheduling of tax rate increases so that it would not become necessary to raise taxes abruptly within a single year;
3. It enables the City to make better use of its borrowing power through bond programs and to more evenly distribute the cost of providing services and facilities between the taxpayer of today and tomorrow;
4. It allows the City to better evaluate the needs and preferences of its citizens and to apply more reliable criteria to investment decisions to insure that more rational decisions are made between competing objectives;
5. The process allows the City to compare needed facilities, anticipate their operating cost and reduce the long term expense of major projects through such steps as the advanced acquisition of land.

## METHODOLOGY EMPLOYED

The general methodology employed in this study included an evaluation of future public improvement priorities, a financial analysis of revenues, expenditures and bonded indebtedness, an evaluation of funds available for financing future public improvements and a budgeting process of matching future capital funds with needed public improvements.



Justifications for assigning priorities to projects and major capital items were based on recommendations contained in the Newton-Conover Community Facilities Plan (June 1974), the Hickory-Newton 201 Facilities Study (Oct. 1975) and from recommendations from the City Manager, Finance Director and other department heads of the City of Newton.

A public improvement for purposes of this study was generally defined by one or more of the following:

1. New or expanded physical facilities of a permanent character costing at least \$1,000;
2. Remodeling or replacement of an existing facility costing at least \$1,000;
3. Items of equipment having a productive life of at least five years and costing at least \$1,000; and
4. The purchase of land for a community facility such as a park or highway.



## PUBLIC IMPROVEMENTS PROGRAM

Because of the vast expenditure of public funds required to implement project recommendations by City officials and those found in the Newton-Conover Community Facilities Plan, it is only logical that some priority ranking of projects and improvements must be made. The assignment of priorities to these public improvements is an extremely difficult task. Priorities must, therefore, be based on relative need and the City's ability, both present and future, to finance the projects. The establishment of priorities must consider: (1) needs within specific areas, (2) urgencies within all areas, and (3) time of need. Therefore, the following general criteria suggested by the National Resources Planning Board were employed in determining priorities for the proposed public improvements for the City of Newton:

1. protection of life;
2. maintenance of public health;
3. protection of property;
4. conservation of resources;
5. maintenance of physical property;
6. provision of public services;
7. replacement of obsolete facilities;
8. reduction of operating costs;
9. public convenience and comfort;
10. recreational value;
11. economic value;



12. social, cultural and aesthetic value;
13. promotional value through effect on future development; and
14. relative value with respect to other services.

After the priorities of public improvements were established, they were reduced to manageable proportions with respect to time. The public improvements program for Newton is presented in the following format:

PRIORITY I

Fiscal Years 1976-77 through 1981-82 (6 year grouping)

PRIORITY II

Fiscal Years 1982-83 through 1991-92 (9 year grouping)

These groupings list the various public improvements by department with justifications provided where needed. In addition, a line item number is assigned to each project in the Priority I grouping. These numbers do not imply any chronological priority, but provide a cross-reference from the public improvements program to the capital budget presented later in this report (page 32).

The capital items listed in this public improvements program are not exhaustive of all the improvements needed within the given fiscal year time frames. A serious attempt has been made to identify major improvements in the coming years; however, in some cases future improvements were not ascertainable within the limited scope of this study. The capital items identified in this study should be carefully re-evaluated each year and new capital items placed in the budget as they are identified.

The Priority I Schedule of Improvements is presented first, followed by the Priority II Schedule of Improvements.



SCHEDULE OF IMPROVEMENTS

1976 - 1981

DEPARTMENT OR FUNCTION	Line Item Number
<u>Administrative Department</u>	
Purchase a state surplus vehicle for use by Building Inspector -- replacement vehicle to minimize operating costs.	1
Purchase radio equipment for Building Inspector's car -- replace obsolete equipment.	2
Purchase new Remote Base Station KW-467 for new City Hall building -- needed to expand existing service.	3
Purchase two electric cash registers -- for utility collections to handle increased number of accounts.	4, 5
Purchase two IBM Electric II Typewriters -- for utility collections to handle increased number of accounts, replace old equipment.	6, 7
Purchase a new copying machine -- to replace existing machine.	8
Rental/Purchase of new postage machine -- to replace existing machine.	9
<u>Fire Department</u>	
Develop training area to train volunteer and paid firemen.	10
Purchase of land and paving of parking area for training facility.	11
Land site for new fire substation on north side of town -- to provide fire protection for future annexed territory.	12
Construction of fire station on north side of town -- to provide fire protection for future annexed territory.	13



(Fire Department, continued)

Line  
Item  
Number

Replacement of 22 Motorola Monitors -- to reduce maintenance cost and replace obsolete equipment.

14

Purchase new remote base for new north side fire station.

15

Police Department

Replace patrol cars due to excessive wear and mileage. Purchase of one new car to patrol annexed territory. Replace cars 2 - 2 - 3 - 2 - 3 - 2.

16 - 29

Replace detective cars due to excessive wear and mileage and to provide increased service.

30 - 33

Replace crime prevention vehicle and purchase a new vehicle -- to replace old vehicle and expand service.

34, 35

Replace Police Chief's car every four years.

36, 37

Purchase radio equipment to replace obsolete equipment.

38 - 40

Purchase new Diebold mechanized file to improve existing file system.

41

Replace School Liaison Officer's vehicle due to excessive wear and mileage.

42

Recreation Department

Development of Eastside Park to provide needed recreational facilities and activities on the east side of town.

43

Improvement of the Westside - J. C. Park to expand level of recreational activities provided on westside of town.

44

Improvement of the Northside Park to expand level of recreational activities provided on the northside and provide entire town with needed swimming facilities.

45



(Recreation Department, continued)

Line  
Item  
Number

Purchase of the Newton-Conover JHS -- to provide a central location for new northside park and swimming pool.	46
Improvement of Newton-Conover JHS recreational facilities to provide needed park.	47
Purchase tractor with mower to maintain park grounds.	48
Purchase two state surplus trucks and a station wagon to expand recreational services provided by the City.	49 - 51
Replace 1966 International truck, 1969 Chevrolet car, 1966 Chevrolet truck, 1973 Plymouth station wagon and 1974 Chevrolet truck due to excessive wear and mileage.	52 - 56

Wastewater Plant

Purchase two refrigerators with stainless steel cabinets to hold influent and effluent samples.	57
Purchase lab equipment to measure level of pesticides in effluent and to test raw water.	58
Remodel old water plant into apartments for non-married operators.	59
Purchase station wagon to transport wastewater plant operators to go to school, etc.	60
Purchase 1/2 ton truck to replace existing truck with excessive wear and mileage.	61
Purchase mobile radio for 1/2 ton truck	62

Water Plant

Purchase activated carbon feed machine to replace 13 year old machine.	63
--	----



(Water Plant, continued)

Line  
Item  
Number

Purchase a fluoride - dry feed machine to replace  
a 16 year old machine. 64

Purchase a high altitude valve for Fairbrook water  
tank to prevent water overflows. 65

Enlarge detention area before chemicals are added  
to water to prevent flox from breaking up. 66

Public Works Plant

Land purchase for new public works facility needed  
to replace old inadequate facility. 67

Preliminary engineering for new public works  
facility. 68

Construction of new public works facility to replace  
old inadequate facility. 69

Purchase fencing to go around public works facility  
to prevent equipment loss and provide safety measure. 70

Purchase vehicle for public works director to replace  
old vehicle with excessive wear and mileage. 71

Sanitation Division

Purchase garbage trucks to replace old worn out  
trucks to minimize operating costs. 72 - 75

Street Division

Purchase tractor-loader -- periodic equipment replace-  
ment. 76

Purchase rubber-tired loader -- periodic equipment re-  
placement. 77

Purchase an asphalt roller -- periodic equipment  
replacement. 78

Purchase a street flusher -- periodic equipment re-  
placement. 79



(Street Division, continued)

Line  
Item  
Number

Purchase right-of-way for eastside by-pass route  
needed to relieve traffic congestion. 80

Purchase tandem dump truck to replace existing  
equipment. 81

Pave Northside Park street to improve level of  
service. 82

Electric Division

Purchase derrick digger to replace old equipment. 83

Install cross connection for new and existing sub-  
stations to connect each substation with secondary  
feeders in case one faults. 84

Purchase aerial bucket and chassis truck -- to re-  
place old equipment. 85

Install new 22-KV line to river to main-  
tain present level of service. 86

Install new 22-KV line to Lake to improve level of  
electrical service. 87

Install new 22-KV Substation and switchgear to  
improve level of electrical service. 88

Purchase aerial bucket for existing truck -- needed  
to comply with OSHA requirements. 89

Purchase electrical equipment to meet OSHA standards. 90

Purchase pick-up truck -- service Fairgrove Church  
service extension. 91

Purchase radio equipment -- service Fairgrove Church  
service extension. 92

Improvements to existing secondary lines and pro-  
vision of new electrical service. 93



Water and Sewer Maintenance Division

Line  
Item  
Number

Enlarge waterlines on east side of town with 12" to 16" lines to improve and maintain water pressure.	94
Construction of 5.0 MGD Clark Creek Plant - Phase I of 201 Water and Sewer Facilities Plan.	95
Construction of Clark Creek "E" Outfall line - Phase I of 201 Study.	96
Construction of lower Town Creek Outfall line - Phase I of 201 Study.	97
Construction of upper Town Creek Outfall line - Phase I of 201 Study.	98
Construction of Clark Creek "A-D" Outfall lines. Phase II of 201 Study. Note: This improvement is anticipated to be moved from Phase II to Phase I to prevent the necessity of the water and sewer division personnel from having to maintain two treatment plants on Clark Creek in the event Catawba County gives the present facility to the City.	99
Construction of an outfall line on the northeast side of town to service a developing industrial area.	100
Replacement of 2" water lines with 6" lines throughout the City.	101
Purchase 3/4 ton pick-up truck -- periodic equipment replacement to minimize operating costs.	102
Purchase 10" cutting head for tapping machine -- to replace existing equipment to minimize operating costs.	103
Purchase tools for continuous rodding machine.	104
Purchase 1200' of 8" water pipe with valves to replace main water line from 4th Street to A Street.	105
Purchase walkie-talkie -- to facilitate better coordination of water and sewer maintenance activities.	106
Purchase new mobile base unit to service expanded operations.	107



SCHEDULE OF IMPROVEMENTS

1982 - 1991

DEPARTMENT OR FUNCTION

Administrative Department

Periodic replacement of City Manager's car to minimize operating cost.

Periodic replacement of Building Inspector's vehicle to minimize operating cost.

Fire Department

Replacement of a 1963 Ford (Am. LaFrance) 500 gallon pumper (1983).

Replacement of a 1965 Am. LaFrance aerial ladder truck (1985).

Replacement of a 1967 Am. LaFrance 500 gallon pumper (1987).

Replacement of a 1974 Emergency equipment and brush truck (1984).

Replace fire hose and fire suits to maintain reliable service.

Replace Rescue Squad's 1973 Chevrolet suburban to minimize operating costs.

Replace Rescue Squad's 1967 Chevrolet wagon to minimize operating costs.

Police Department

Addition of a radio frequency for police department work.

Replace Animal Control's 1974 Chevrolet 3/4 ton pick-up to minimize operating costs.

Replace patrol vehicles according to schedule at 50,000 miles to minimize operating expenses.

Add one patrol car to cover annexed territory - replace as required.



### Recreation Department

Develop a 32 acre tract below the National Guard Armory on U. S. #321. Center should include 4 to 6 tennis courts, 2 ballfields, a swimming pool, a 9 hole golf course, a picnic area, a playground area and a community building. This facility could possibly be developed jointly with the Town of Maiden.

Develop small neighborhood parks, one to two acres, with playground areas, outdoor basketball, and a tennis court.

### Wastewater Treatment

Expansion of Clark Creek Treatment Plant from 5.0 to 11.0 MGD -- Phase II 201 Study.

Construction of west Conover and Lyle Creek Outfall lines to serve southwest Conover -- Phase II of 201 Study.

Construction of Herman Branch and upper Lyle Creek interceptors and Lyle Creek pump station and force main to serve Lyle Creek area -- Phase II of 201 Study.

Construction of Middle Branch interceptor, the Fairgrove interceptor and several other interceptor lines east and southwest of Newton to serve remaining portion of Clark Creek Basin -- Phase II of 201 Study.

### Water and Sewer Maintenance Division

Replace 1972 Sewer King Trailer to minimize operating costs (1984).

Replace 1973 Sewer Cleaning machine to minimize operating costs (1985).

Periodic replacement of undersized waterlines to maintain the water pressure.

Periodic replacement of water meters to replace old poorly functioning meters to provide accurate water rates.

### Water Treatment Division

Between 1985 and 1990, begin process of building a new water plant on the Jacobs Fork River to replace old plant which will be operating at or over capacity at that time.

Possible construction of a main waterline extending along N. C. #10 to Startown.



### Sanitation Division

Replace present garbage trucks using an eight year replacement schedule for each vehicle.

Purchase two new loaders to handle increased population.

### Street Division

Replace 1973 Air Compressor to minimize operating costs (1985).

Replace 1972 John Deere Tractor with Backhoe to minimize operating expenses (1982).

Replace 1973 Mobile Street Sweeper to reduce operating costs (1985).

Construction of Eastside Bypass route -- State Department of Transportation Program.

Paving and upgrading City streets to maintain and improve traffic flow.

Replace 1974 3/4 ton pick-up truck to minimize operating costs (1982).

Replace 1972 John Deere Grader to minimize operating costs (1982).

Replace 1972 Chevrolet Tandem truck to minimize operating costs (1982).

### Electric Division

Continue upgrading secondary power system to improve power service.

Replace 1974 Ford 1/2 ton pick-up to minimize operating expenditures (1982).

Replace Chevrolet 28 foot telecon bucket to minimize operating costs (1982).

Replace Chevrolet 50 foot telecon bucket to minimize operating costs (1982).



## FINANCIAL ANALYSIS

The number of public improvements a city or any government unit can finance generally depends on its expected levels of revenues and expenditures; its current level of debt (bonded indebtedness); the maximum legal limit of debt it may incur (bonding capacity); and any potential sources of additional revenue available for improvement financing. In preparing a capital improvement financing program, an analysis of current and projected expenditures and revenues must be developed.

A financial analysis of the general fund of the City of Newton will be followed by a similar analysis of the City's enterprise funds. A third section will analyze the City's bonded indebtedness. A final section will show projected City funds available to finance capital improvements.

### GENERAL FUND ANALYSIS

Analysis of the general fund includes a presentation of revenues and expenditures over the past six years and a projection of revenues and expenditures for the next six years. Revenues and expenditures are broken down into major component parts. Projections of future revenues and expenditures are based on past increases plus future known events or conditions. Revenues are estimated conservatively while expenditures are estimated liberally, to provide a margin of safety in projecting future funds available for financing capital improvements.



## REVENUES

As shown in Table 1, the total general fund revenues of the City of Newton have increased from \$757,111 in 1970 to \$1,398,146 in 1975 for an average annual increase of nearly 14%. Property taxes are the largest single source of revenue, making up approximately 38% of the general fund each year. Other major categories of revenue include local government aid (state assistance), special assessments, licenses and permits, fines and forfeits, and revenue sharing.

Because property taxes provide the largest source of general fund revenues, a more detailed examination is in order. Table 2 shows past and projected trends in taxable valuation and tax delinquency. As can be seen, the assessed valuation has risen due to increased assessment rates and natural increases while the tax rate has declined. A steady increase in valuation, based upon a modest projection of new construction along with anticipated property annexations, was used to estimate future property taxes. This projection of new construction was estimated at 3.5% annually. A tax collection rate of 95.2% of levied taxes was used to figure future property tax revenues.

Each category of revenue was projected separately and then an aggregate total obtained. From Table 1 an average annual increase of 4.4% is estimated for general fund revenues. Revenue sharing, a major contribution to the general fund in recent years, is not projected to continue after 1976. Although prospects for revenue sharing continuation appear favorable, it can not be included as a revenue source until final authorization for extension is made by the federal government.



## EXPENDITURES

Major sources of general fund expenditures are shown in Table 3. These include all administrative expenses, operating expenses and salaries for the respective departments. Past increases in general fund expenditures have been substantial, nearly 13% annually. This figure compared with revenue increases shows that past revenues have risen by a slightly greater amount than expenditures. However, note should be made that except for a 35.4%<sup>1</sup> increase in revenues from 1971 to 1972, expenditures have increased faster than revenues (13% to 8%).

General government operating expenditures are anticipated to rise sharply as the city administrative department and police department move into the new City Hall building. Recreation expenditures are also projected to increase substantially as the demand for recreational activities continues to rise due to the increased leisure time in future years. Total future estimated expenditures are estimated to increase at about 7.3% annually over the six year budget period.

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<sup>1</sup>

Local option sales tax began that year and assessed property was revaluated.



TABLE 1  
CITY OF NEWTON  
General Fund Revenues, Trends and Future Estimates

Year	Property Tax Collected	Local Gov't Aid (State Assistance)(A)	Special Assessments Licenses & Permits Fines & Forfeits(G)	Revenue Sharing	Other Rev. and Non. Rev. (B)	Total	% Increase
PAST TRENDS							
1970-71	326,964	129,760	55,290	----	245,097	757,111	
1971-72	340,681	147,945	62,530	----	328,934	880,090	16.2
1972-73	416,986	344,635(D)	64,053	132,039(C)	234,285	1,191,998	35.4
1973-74	465,441	381,638	65,836(E)	128,062	261,839	1,302,816	9.3
1974-75	518,330	415,750	58,630	159,144	256,003	1,407,857	8.1
1975-76(F)	526,195	428,068	70,685	144,248	228,950	1,398,146	- 0.1
Projected increase	3.5% plus pro- jected annex.	5%	5%	---0---	ave. value		
FUTURE ESTIMATES							
1976-77	620,183	449,471	74,219	102,321	245,235	1,491,429	6.7
1977-78	639,244	471,945	71,930	----	245,235	1,428,354	- 3.8
1978-79	753,424	495,542	81,826	----	245,235	1,576,027	9.9
1979-80	779,794	520,319	95,918	----	245,235	1,641,266	3.5
1980-81	852,508	546,335	90,213	----	245,235	1,734,291	6.3
1981-82	882,345	573,652	94,724	----	245,235	1,795,956	3.56

- (A) Includes: Utility Franchise, Intan. Tax, Wine & Beer Tax, Powell Bill, Local Option Sales Tax (1%), Int. Tax (Recreation)  
 (B) Includes: Prior Year Taxes, Penalties & Int., Refunds Received, Int. on Invest., Charges to Other Funds, Other Revenues,  
 Transfers from Electric, Water & Sewer, CR Funds and Fed. Grants  
 (C) Begin revenue sharing January 1972  
 (D) Begin local option sales tax  
 (E) Parking meters removed  
 (F) From budget estimates 1975-76  
 (G) Includes: Licenses & Permits, Charges for Current Service, Assessments, Fees & Concessions, Parking Meter Revenues

Source: Newton Audit Reports, Newton Finance Director



TABLE 2  
REVENUE FROM PROPERTY TAX  
Past Trends and Future Estimates

Year	Market Valuation	Assessed Valuation	Tax Rate/\$100	Tax Levy(6)	Tax Collected	Percentage Collected
PAST TRENDS						
1970-71	73,915,888(1)	29,566,355	1.20	349,947	326,964	93.4
1971-72	89,457,500(1)	35,783,000	1.00	357,830	340,681	95.2
1972-73	81,436,973(2)	48,862,184	.90	438,516	416,986	95.1
1973-74	89,193,551(2)	53,516,131	.90	481,645	465,441	96.6
1974-75	93,192,114(3)	93,192,114	.58	541,291	518,330	95.8
1975-76(5)	122,689,813(3)(4)	122,689,813	.45	552,232	526,195	NA
						95.2 average
FUTURE ESTIMATES						
1976-77	133,850,500	133,850,500	.45	602,327	573,536	95.2
1977-78	149,181,797	149,181,797	.45	671,334	639,244	95.2
1978-79	175,828,239	175,828,239	.45	791,246	753,424	95.2
1979-80	181,982,263	181,982,263	.45	818,939	779,794	95.2
1980-81	198,951,692	198,951,692	.45	895,304	852,508	95.2
1981-82	205,914,819	205,914,819	.45	926,638	882,345	95.2

- (1) Based on 40% assessment of market valuation
- (2) Based on 60% assessment of market valuation
- (3) Based on 100% assessment of market valuation
- (4) Reflects market valuation reappraisal
- (5) City of Newton, 1975-76 Budget Estimates
- (6) Less releases and abatements

Source: Finance Director, City of Newton



TABLE 3  
CITY OF NEWTON  
General Fund Operating Expenditures, Trends and Future Estimates

Year	General Gov't. (A)	Public Safety (B)	Public Works	Other (C)	Capital Exp. (Outlays)	Recreation	Total	Total Minus Capital Outlays
PAST								
TRENDS								
1970-71	191,308	190,003	233,886	1,900	96,249	57,282	770,628	674,379
1971-72	205,064	234,068	233,146	8,748	61,738	61,489	804,253	742,515
1972-73	226,525	259,182	267,120	9,135	205,178	60,809	1,027,949	822,771
1973-74	249,384	300,423	301,500	4,481	189,506	74,857	1,120,151	930,645
1974-75	326,857	333,922	384,741	11,153	130,662	100,633	1,287,968	1,157,306
1975-76	350,637	382,580	398,183	10,000	97,295	112,550	1,351,245	1,253,950
Projected Increase	9%	5%	5%	+10,000	+130,000	10% inc.	+ 12.2	
FUTURE								
ESTIMATES								
1976-77	422,194	401,709	418,092	15,000	SEE	123,805		1,380,800
1977-78	460,191	421,794	438,996	15,000	CAPITAL BUDGET	136,185		1,472,166
1978-79	501,609	442,884	460,946	15,000	COST SUMMARY	149,804		1,570,243
1979-80	546,753	465,028	483,993	20,000		164,784		1,680,558
1980-81	595,961	488,280	508,193	20,000		181,262		1,793,696
1981-82	649,598	512,694	533,603	20,000		199,389		1,915,284

- (A) \$40,000 est. increase in 1976-77 to cover cost of new building operating expenses  
 (B) Police and fire departments, 1975 includes fire district expenses; heavy past expenditure increases were to bring Newton up to national standards  
 (C) Contingency funds

Source: Newton Audit Reports, Newton Finance Director



## ENTERPRISE FUND ANALYSIS

The enterprise fund of the City of Newton operates separately from the general fund. Excess revenues above operating expenses are used for two purposes: (1) to supplement the general fund (thus keeping property taxes down), and (2) to pay the cost of future capital improvements, by way of a capital reserve fund. The enterprise fund is composed of two divisions, water and sewer operations and electrical operations. Analysis of revenues for each division is made first followed by a similar analysis of expenditures.

### REVENUES

Enterprise revenues are shown in Table 4. Water and sewer revenues have risen more slowly than electric revenues. Water and sewer revenues show an annual increase of 5.3% while electric revenues have increased a hefty 20.6% a year. The high increase in electric revenues is due to the energy shortage. A fifteen percent fuel charge was introduced in 1975 and Duke Power has raised its power rate charges dramatically. The increases in electric revenues have been offset by equally high increases in operating expenses.

Newton buys electric power from the Duke Power Company and then sells it to Newton electric consumers within its territorial authority. Due to limited opportunities to service additional territory, a conservative 4% increase has been projected for electric revenues. It should be noted, however, that Duke Power has figured an average increase in revenues of about 8% annually for the Newton area, based on computer analysis.



TABLE 4  
CITY OF NEWTON  
Enterprise Fund Revenues, Trends and Future Estimates

Water & Sewer Division				Electric Division			
Year	Water & Sewer Fees & Sprinkler Charges	Water & Sewer TAPS Other Revenue	Total	% Inc.	Combined Sales	Other Revenue	Total Inc.
PAST							
TRENDS							
1970-71	421,565	13,421	434,896		654,180	9,999	664,179
1971-72	445,328	15,741	461,069	6.0	726,370	9,579	735,949
1972-73	440,179	15,212	455,391(E)	- 1.2	884,080	10,613	894,693(B)
1973-74	437,108	13,431	450,539(F)	- 1.1	995,343	14,343	1,009,875
1974-75	518,671	21,416	540,087	20.0	1,189,796	17,117	1,207,139
1975-76	544,327	10,825	555,152	2.8	1,621,524	47,117(D)	1,668,641(C)
Projected Increase	3.5%	+ 15,000		5.3 av.	4.0%	4.0%	20.6 av.
FUTURE							
ESTIMATES							
1976-77	624,433(A)(G)	15,000	639,433	5.0	1,686,384	49,794(D)	1,736,178
1977-78	646,288	15,000	661,288	3.2	1,753,840	50,304(D)	1,804,144
1978-79	668,908	15,000	683,908	3.4	1,823,993	22,901(D)	1,846,894
1979-80	692,320	15,000	707,320	3.4	1,896,953	14,342	1,911,295
1980-81	716,551	15,000	731,551	3.4	1,972,831	14,915	1,987,746
1981-82	741,630	15,000	756,630	3.4	2,051,744	15,512	2,066,656

(A) 3.5% annual increase was used; this increase does not include increases due to new sewage treatment plant construction

(B) 1972-73 Duke Power rate increase passed on to Newton customers

(C) 1975-76 15% fuel charge included

(D) Duke Power court settlement of \$110,982 was spread out over a four year period as follows: \$27,783, \$37,044, \$37,044, \$9,111

(E) Sewer anticipation notes of \$100,000 not included

(F) State grant of \$450,000 and Water Bond of \$1,655,000 not included

(G) Includes a 5% water rate increase

Source: Newton Audit Reports, Newton Finance Director



## EXPENDITURES

Enterprise expenditures are given in Tables 5 and 6. Table 5 shows water and sewer expenditures. Major categories include plant operation and maintenance, debt service, transfers to other funds, capital expenditures and contributions to the capital reserve fund. Plant operation and maintenance costs have risen significantly nearly 23% a year over the six year period. This increase reflects the costs of upgrading water plant operation and maintenance to handle increased demand. Water and sewer expenditures are expected to continue increasing at a high rate in the near future due to planned improvements under the 201 Water and Sewer Facilities Plan. Only future plant operation, maintenance and debt service expenditures are projected for the six year budget period. Debt service projections do not include the anticipated \$1,200,000 June, 1976 water bond debt requirements. This requirement is discussed later in this report.

Table 6 shows electric expenditures. Major categories include maintenance and operation, debt service, transfers to other funds, capital expenditures and contributions to the capital reserve fund. Total electric expenditures have increased on an average of 20% per year. The major component of this cost increase has been operation and maintenance expenditures which have risen on an average of 30% annually from 1970 to 1975. Major improvements were made to upgrade both Newton's primary and secondary power systems during this time period, plus the cost of bulk rate power from Duke Power rose sharply. Only future operation, maintenance and debt service expenditures have been estimated. For estimated expenditures in other categories, see the Capital Budget Cost Summary.



TABLE 5  
CITY OF NEWTON  
Water and Sewer Fund Expenditures, Trends and Future Estimates

Year	Plant Oper. & Maint.	Debt Service	Transfers to Other Funds	Capital Expenditures	Capital Reserve for Future Cap. Improvements	Total
PAST						
TRENDS						
1970-71	157,881	67,865	---0---	20,750	222,792	469,288
1971-72	179,650	71,803	25,258	175,961(D)	135,395	588,067
1972-73	215,556	70,583	---0---	128,421(C)	119,617	534,177
1973-74	231,417	153,244	---0---	38,952	39,847	463,460
1974-75	402,980	156,596	---0---	1,931,020(A)	---0---	2,490,596
1975-76(B)	394,286	178,560	---0---	34,660	---0---	607,506
9%						
FUTURE						
ESTIMATES						
1976-77	430,000	171,600	SEE CAPITAL BUDGET COST SUMMARY	-----	-----	-----
1977-78	468,700	167,665				
1978-79	510,883	163,850				
1979-80	556,862	161,190				
1980-81	606,980	157,562				
1981-82	661,608	153,635				

- (A) Water plant expenses (covered by bond issue and state grant of \$1,916,723)  
(B) From 1975-1976 budget  
(C) Sewer expenses (covered by \$100,000 bond issue)  
(D) Supply annexed territory with sewer and water



TABLE 6  
CITY OF NEWTON  
Electric Fund Expenditures, Trends and Future Estimates

Year	Maintenance & Operation	Debt Service	Transfers to Other Funds	Capital Ex- penditures (Outlays)	Capital Reserve for Future Capital Improvements	Total	% Increase
PAST							
TRENDS							
1970-71	358,479	37,696	136,773	28,210	71,102	632,260	
1971-72	452,239	31,895	209,540	30,000	8,734	732,408	15.84
1972-73	564,596	31,175	145,365	38,907	77,344	857,387	17.06
1973-74	712,546	30,450	114,500	175,915	--0---	1,033,411	20.53
1974-75	979,516	34,765	39,752	207,083	--0---	1,261,116	22.03
1975-76	1,334,170	33,780	87,464	88,050	42,688	1,586,152	25.77
Increase	5%					20.25 av.	
FUTURE							
ESTIMATES							
1976-77	1,400,879	32,865	SEE CAPITAL BUDGET COST SUMMARY -----				
1977-78	1,470,922	27,125					
1978-79	1,544,468	26,840					
1979-80	1,621,692	25,400					
1980-81	1,702,776	24,680					
1981-82	1,787,915	23,960					

Note: All rates used to project future revenues are subject to rate increases from main power supplier.



## BONDED INDEBTEDNESS

The City of Newton's total bonded indebtedness as of June, 1975 was \$2,145,000. State law prohibits the total bonded indebtedness from exceeding 8 percent of the total assessed valuation. This debt limitation is only applicable to general obligation bonds<sup>1</sup>. Revenue bonds<sup>2</sup> do not count against debt limitation. Figure 1 shows the statutory debt limitation compared with the current level of bonded indebtedness. The impact of the anticipated June 1976 \$1,200,000 sanitary sewer bond issue on the level of debt is also shown. As shown, Newton's public debt is well within the statutory limitation. The increased capacity of the City to incur debt is due in part to a revaluation of assessed land. From 1970 to 1975, assessed valuation went from 40% to 100% of market valuation (see Table 2).

Debt service requirements for existing debt are shown in Table 7. Debt service requirements with the proposed bond issue are also given.

---

1

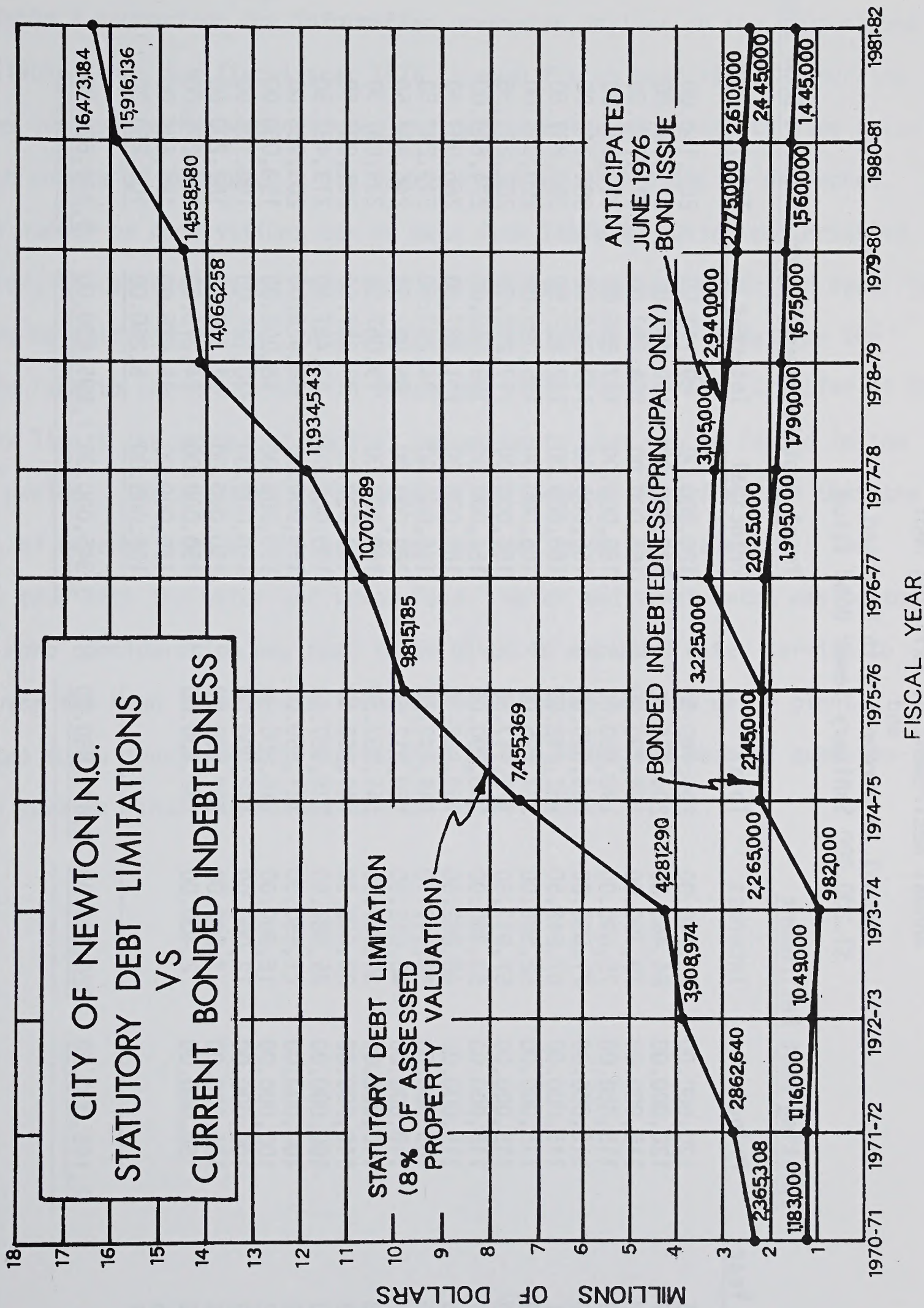
General obligation bonds pledge the full faith and credit of the City to cover against the bonds' default. A lower interest rate is usually obtained because the bonds are considered "more secure."

2

Revenue bonds pledge only revenues from that source to repay debt requirements. A higher interest rate is usually paid because the bonds are considered "less secure."



FIGURE 1



Sources: Newton Audit Reports  
Local Government Commission



TABLE 7

Annual Retirement of Existing Debt  
and  
Annual Requirement with Proposed  
\$1,200,000 Sanitary Sewer Bond Issue

Fiscal Year	Existing Debt Retirement			Total Debt Retirement with Proposed Bond Issue		
	Principal	Interest	Total	Principal	Interest	Total
1975-76	120,000.00	89,140.00	209,140.00	120,000.00	89,140.00	209,140.00
1976-77	120,000.00	84,465.00	204,465.00	120,000.00	159,465.00	279,465.00
1977-78	115,000.00	79,790.00	194,790.00	165,000.00	154,790.00	319,790.00
1978-79	115,000.00	75,690.00	190,690.00	165,000.00	147,565.00	312,565.00
1979-80	115,000.00	71,590.00	186,590.00	165,000.00	140,340.00	305,340.00
1980-81	115,000.00	67,242.50	182,242.50	165,000.00	132,867.50	297,867.50
1981-82	115,000.00	62,595.00	177,595.00	165,000.00	125,095.00	290,095.00
1982-83	115,000.00	57,917.50	172,917.50	165,000.00	117,292.50	282,292.50
1983-84	115,000.00	53,390.00	168,390.00	165,000.00	109,640.00	274,640.00
1984-85	115,000.00	48,862.50	163,862.50	165,000.00	101,987.50	266,987.50
1985-86	105,000.00	44,247.50	149,247.50	155,000.00	94,247.50	249,247.50
1986-87	110,000.00	40,012.50	150,012.50	160,000.00	86,887.50	246,887.50
1987-88	110,000.00	35,337.50	145,337.50	160,000.00	79,087.50	239,087.50
1988-89	110,000.00	30,662.50	140,662.50	160,000.00	71,287.50	231,287.50
1989-90	100,000.00	25,987.50	125,987.50	150,000.00	63,487.50	213,487.50
1990-91	100,000.00	21,550.00	121,550.00	150,000.00	55,925.00	205,925.00
1991-92	100,000.00	16,800.00	116,800.00	150,000.00	48,050.00	198,050.00
1992-93	100,000.00	12,000.00	112,000.00	150,000.00	40,125.00	190,125.00
1993-94	100,000.00	7,200.00	107,200.00	150,000.00	32,200.00	182,200.00
1994-95	50,000.00	2,400.00	52,400.00	150,000.00	24,275.00	174,275.00
1995-96				150,000.00	15,625.00	165,625.00
1996-97				100,000.00	6,250.00	106,250.00
Totals	2,145,000.00	926,880.00	3,071,880.00	3,345,000.00	1,895,630.00	5,240,630.00

NOTE: This schedule contemplates dating bonds June 1, 1976 with annual principal maturities on June 1 of each fiscal year as indicated.

Source: Local Government Commission; Romulus S. Watson, CPA - Newton Finance Auditor



## FUNDS AVAILABLE FOR FUTURE CAPITAL IMPROVEMENTS

Table 8 summarizes the information presented earlier on the projections of available funds for fiscal year 1976 through fiscal year 1981. Recurring revenues less operating expenditures and debt service requirements were calculated for each source of revenue. A six year surplus of \$1,526,915 is projected.

A number of observations can be made from Table 8. Using conservative estimates, it can readily be seen that the general fund and water and sewer fund will not be self-supporting. Appropriations will have to be made from the electric fund to cover expenses in these two other funds. This transfer of funds severely limits the amount of capital improvements that can be funded in the budget period. The negative surplusses in the general fund indicate that the sources of revenue such as the property tax need to be re-evaluated. The same is true with the water and sewer fund. Water and sewer rates may be too low and/or more consideration may need to be given to expanded water service to help cover the high fixed costs incurred in building the new water plant. These two funds should be self-sustaining at the least and perhaps even contribute towards financing needed capital improvements.



TABLE 8

FUNDS AVAILABLE FOR CAPITAL IMPROVEMENTS  
1976 - 1981

Category	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	Total
<b>GENERAL FUND</b>							
Recurring Revenues	1,444,782	1,434,354	1,576,027	1,631,266	1,734,291	1,795,956	
Less Operating Exps.	1,365,800	1,457,166	1,555,243	1,665,558	1,778,696	1,900,284	
Funds Available	<u>78,982</u>	<u>(22,812)</u>	<u>20,784</u>	<u>(34,292)</u>	<u>(44,405)</u>	<u>(104,328)</u>	(106,071)
<b>WATER &amp; SEWER FUND</b>							
Recurring Revenues	639,433	661,288	683,908	707,320	731,551	756,630	
Less Operating Exps.	430,000	468,700	510,883	556,862	606,980	661,608	
and Debt Service	171,600	167,665	163,850	161,190	157,562	153,635	
Funds Available	<u>37,833</u>	<u>24,923</u>	<u>9,175</u>	<u>(10,732)</u>	<u>(32,991)</u>	<u>(58,613)</u>	( 30,405)
<b>ELECTRIC FUND</b>							
Recurring Revenues	1,736,178	1,804,144	1,846,894	1,911,295	1,987,746	2,066,656	
Less Operating Exps.	1,400,879	1,470,922	1,544,468	1,621,692	1,702,776	1,787,915	
and Debt Service	32,865	27,125	26,840	25,400	24,680	23,960	
Funds Available	<u>302,434</u>	<u>306,097</u>	<u>275,586</u>	<u>264,203</u>	<u>260,290</u>	<u>254,781</u>	1,663,391
Total Funds Available	419,249	308,208	305,545	219,179	182,894	91,840	1,526,915



Sources of funding other than those above are not examined within the scope of this report. However, the level of local funds generated for capital improvements clearly shows that an aggressive effort is needed to obtain outside funding such as bond issues, special assessments, federal and state grants in aid, and non-profit organization support. Only in this manner can a major portion of the capital items presented in the following capital budget be funded.



### CAPITAL IMPROVEMENTS BUDGET

A recommended Capital Improvements Budget for the City of Newton is presented on the following pages. The items contained in the six year budget were given first priority in the Public Improvements Program. A proposed method of financing each item is given plus a suggested implementation date. A cost summary of programmed improvements is presented at the end of the Capital Budget.

The improvements presented in the Capital Budget are considered necessary for the promotion of the health, safety, welfare and development of the City as a whole.



THE CITY OF NEWTON CAPITAL BUDGET 1976-77 to 1981-82

Programmed Capital Improvements

Line Item No.	Department and Capital Improvement	Estimated Total Six-year Cost	Source of Funding	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
1	Administrative Department								
2	Vehicle for building inspection	2,500	CR		2,500				
3	Radio equip. - bldg. inspection	1,500	CR		1,500				
4	Radio equip. - City Hall	800	CR	800					
5	Electronic cash register	2,600	CR		2,600				
6	Electronic cash register	2,600	CR			2,600			
7	IBM Selectric II typewriter	700	CR	700					
8	IBM Selectric II typewriter	700	CR			1,800			
9	Copy machine	1,800	CR		1,700				
	Postage machine	1,700	CR						
10	Fire Department								
11	Develop training area	25,000	CRF	8,333	8,333	8,334			
12	Land purchase & parking	25,000	CRF	12,500	12,500				
13	Land for Northside substation	5,000	CR		5,000				
14	Const. of "	150,000	CRF	37,500	37,500	37,500	37,500	1,000	1,000
15	Replace radio equipment	6,000	CR	1,000	1,000	1,000	1,000	4,000	
	Remote base for Northside Substation	4,000	CR						

Source of Funding Key:

CR - Current Revenue  
 CRF - Capital Reserve Fund  
 PB - Powell Bill  
 RS - Revenue Sharing  
 S - Other State Funds  
 F - Other Federal Funds  
 GOB- General Obligation Bond



Line Item No.	Department and Capital Improvement	Estimated Total Six-year Cost	Source of Funding	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
16	Police Department								
17	Patrol Car	5,500	CR	5,500					
18	Patrol Car	5,500	CR	5,500					
19	Patrol Car	6,000	CR		6,000				
20	Patrol Car	6,000	CR		6,000				
21	Patrol Car	6,200	CR			6,200			
22	Patrol Car	6,200	CR			6,200			
23	Patrol Car	6,200	CR			6,200			
24	Patrol Car	6,400	CR				6,400		
25	Patrol Car	6,400	CR				6,400		
26	Patrol Car	6,500	CR					6,500	
27	Patrol Car	6,500	CR					6,500	
28	Patrol Car	6,700	CR					6,500	6,700
29	Patrol Car	6,700	CR					6,500	6,700
30	Vehicle for Detective Division	2,200	CR	2,200					
31	Vehicle for Detective Division	2,500	CR						
32	Vehicle for Detective Division	6,400	CR			2,500	6,400		
33	Vehicle for Detective Division	6,500	CR						
34	Van for Crime Prevention Div.	2,500	CR		2,500				6,700
35	Vehicle for Crime "	6,700	CR						
36	Vehicle for Police Chief	5,500	CR		5,500				
37	Vehicle for Police Chief	6,700	CR						6,700
38	Radio equipment	4,050	CR	4,050					
39	Radio equipment	3,500	CR						
40	Radio equipment	2,000	CR			2,000			
41	Die Bold Mech. File	3,500	CR						
42	Vehicle for School Liaison Office	6,500	CR					6,500	



Line Item No.	Department and Capital Improvement	Estimated Total Six-year Cost	Source of Funding	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
43	Recreation Department								
	Eastside Park	87,355	F		23,650	21,075	19,330	15,650	7,650
44	Westside-JC Park	87,355	CR		23,650	21,075	19,330	15,650	7,650
45	Northside Park	32,389	CR	5,455	2,334	16,000	850	7,750	--0--
		112,500	F			112,500			
		112,500	CRF	37,500	37,500	37,500			
46	Purchase Newton-Conover JHS	25,280	CR	6,660	11,345	2,750	1,075	2,600	850
47	Improve JHS facilities	75,000	CRF	15,000	15,000	15,000	15,000	15,000	
48	Tractor with mower	20,000	CRF						20,000
49	Pickup truck	2,700	CR	2,700		2,500	2,500		
50	Station wagon	2,500	CR						
51	Pickup truck	2,500	CR					2,500	
52	Pickup truck	2,500	CR		2,000				
53	Pickup truck	2,000	CR			2,500	2,500		
54	Pickup truck	2,500	CR						
55	Station wagon	2,500	CR					2,500	
56	Pickup truck	2,500	CR						2,500
57	Wastewater Plant								
	Two refrigerators	1,400	CR	1,400					
58	Lab equipment	15,000	CRF					15,000	
59	Remodel old plant	6,000	CR		4,700	6,000			
60	Station wagon	4,700	CR						
61	½ ton pickup truck	2,200	CR	2,200					
62	Radio equipment	1,500	CR	1,500					



Line Item No.	Department and Capital Improvement	Estimated Total Six-year Cost	Source of Funding	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
63	Water Plant								
64	Activated carbon machine	2,300	CR		2,300				
65	Fluoride machine	4,500	CR	4,500					
66	High altitude valve	13,000	CRF	13,000					
	Water detention chambers	15,000	CR		15,000				
67	Public Works Plant								
68	Land for public works facility	40,000	CRF		40,000*				
69	Prelim. engineering - P.W. facility	20,000	CRF		20,000*				
70	Const. - P.W. facility	42,000	CRF		42,000*				
71	Fencing and new equip. Vehicle for P.W. Division	158,000	CRF		158,000*				
		3,500	CR	(no cost information available) 3,500					
72	Sanitation Division								
73	Garbage truck	26,000	CRF	26,000	17,500	17,500			38,000
74	Garbage truck	35,000	CRF		22,500	22,500			
75	Garbage truck	45,000	CRF						
	Garbage truck	38,000	CRF						
76	Street Division								
77	Track loader	40,000	CR	40,000					
78	Rubber tired loader	25,000	CRF			25,000			
79	Asphalt roller	10,000	PB		10,000				
80	Street flusher	14,500	PB	14,500					
81	Right-of-way East Bypass	150,000	GOB						150,000
82	Tandem truck	20,000	CR		20,000				
	Pave Northside Park Road	700	PB	700					

\* May be funded alternatively by Revenue Sharing (if it is continued) or a bond issue.



Line Item No.	Department and Capital Improvement	Estimated Total Six-year Cost	Source of Funding	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
83	Electric Division								
84	Derrick digger	40,000	CRF			40,000			
85	Cross-connection for new and existing substations	60,000	CR	60,000					
86	Aerial bucket & chassis truck	22,500	CR	22,500					
87	New 22 KV line to river	20,000	CR	20,000					
88	New 22 KV line to lake	40,000	CR		40,000				
89	22 KV substation & switchgear	150,000	CRF		30,000	30,000	30,000	30,000	30,000
90	Aerial bucket	17,000	CR	17,000					
91	Electrical equipment	1,500	CR	1,500					
92	Pickup truck	2,500	CR	2,500					
93	Radio equipment	800	CR	800					
	Future electrical improvements	250,000	CRF		50,000	50,000	50,000	50,000	50,000
94	Water & Sewer Maintenance								
95	Water lines, east side of city	28,000	CRF	28,000					
96	5.0 MGD Clark Creek plant	5,330,412	F&S	5,330,412					
97	Clark Creek "E" outfall line	761,488	GOB	761,488					
98	Lower Town Creek outfall line	507,150	F&S	507,150					
99	Upper Town Creek outfall line	72,450	GOB	72,450					
		95,637	F&S	95,637					
		13,663	GOB	13,663					
		510,125	F&S	510,125					
		72,875	GOB	72,875					
	Westside improvements	306,250	F&S		306,250				
100		43,750	GOB		43,750				
101	Northside improvements	500,000	GOB/F/S		500,000				
102	New and replacement 6" lines	160,000	CR	10,000					
103	3/4 ton pickup truck	5,700	CR	5,700					
104	10" cutting head for tapping mach.	1,600	CR	1,600					
105	Tools for cont. rodding machine	1,800	CR	1,800					
106	1200' 8" line w/valves	18,000	CR	18,000					
107	Walkie talkie	800	CR	800					
	Mobile radio unit	1,200	CR	1,200					
						30,000	30,000	30,000	30,000



COST SUMMARY OF PROGRAMMED IMPROVEMENTS

The following listing summarizes the cost estimates of improvements programmed in the capital improvements program.

FISCAL YEAR 1976-77

Current Revenue	266,265	
General Obligation Bond	920,476	
Capital Reserve Fund	177,833	
State	920,476	
Federal	<u>5,522,848</u>	
Total		7,807,898

FISCAL YEAR 1977-78

Current Revenue	253,328	
General Obligation Bond	106,250	
Capital Reserve Fund	282,833	
State	106,250	
Federal	<u>661,150</u>	
Total		1,409,812

FISCAL YEAR 1978-79

Current Revenue	159,325	
General Obligation Bond	-0-	
Capital Reserve Fund	391,334	
State	-0-	
Federal	<u>133,575</u>	
Total		684,234

FISCAL YEAR 1979-80

Current Revenue	126,455	
General Obligation Bond	-0-	
Capital Reserve Fund	82,500	
State	-0-	
Federal	<u>19,330</u>	
Total		228,285

FISCAL YEAR 1980-81

Current Revenue	148,500	
General Obligation Bond	-0-	
Capital Reserve Fund	60,000	
State	-0-	
Federal	<u>15,650</u>	
Total		224,150

FISCAL YEAR 1981-82

Current Revenue	118,800	
General Obligation Bond	150,000	
Capital Reserve Fund	88,000	
State	-0-	
Federal	<u>7,650</u>	
Total		364,450







